

A timeline of what Medicare beneficiaries can expect to see

After months of debate and numerous changes, the Inflation Reduction Act (IRA) was passed by the Senate and House and subsequently signed into law on August 16, 2022, by President Joe Biden. Though this new legislation covers various issues, Medicare beneficiaries will see the most dramatic impact from the new law regarding prescription drug price reform.

The IRA aims to make prescription drugs more affordable to the nation's nearly 49 million Medicare Part D beneficiaries. The legislation includes provisions that will cap costs on Part D plans, allow negotiated pricing for costly medications, provide full coverage on Part D vaccines, and more.

Here is a timeline of Medicare Part D changes that beneficiaries can expect through 2026 from the Inflation Reduction Act.

Changes in 2023

Insulin Copay Cap

First up is the \$35 copay cap on monthly insulin costs for Medicare beneficiaries.

In 2021, the Senior Savings Program was rolled out and prohibited participating drug plans from charging more than a \$35 copay for specific insulin. This program did not require all plans to comply.

As of January 1, 2023, **Part D and Medicare Advantage plans (with built-in drug coverage) must cap covered insulin at \$35 per month.**

Vaccines Covered

Traditional Medicare Part B covers certain vaccinations such as pneumonia, flu, Covid-19, and Hepatitis B. This coverage has overlooked essential vaccines such as the shingles vaccine. Many seniors are stunned to learn they must pay for certain vaccines like this one, in-full or in part, through their Part D plan.

Effective at the start of 2023, **all adult vaccines recommended by the Advisory Committee on Immunization Practices (ACIP), including the shingles vaccine, will be covered at 100%** through Medicare Part D plans.

Changes in 2024

Catastrophic Phase Savings

Medicare Part D is comprised of four complex and often expensive phases in which the beneficiary and plan are responsible for varying costs. The Inflation Reduction Act (IRA) is overhauling the fourth phase, known as the "catastrophic phase" of Medicare Part D.

As it stands today, beneficiaries pay 5% of the cost of their drugs for the remainder of the calendar year after hitting the catastrophic phase. The 5% cost-sharing can be an exceptional financial relief but still leaves high annual costs for many Medicare beneficiaries.

In 2024, **the IRA will eliminate all cost-sharing in the catastrophic phase of Medicare Part D.** Seniors will no longer have to pay any coinsurance or copayments during the catastrophic phase.

The *Inflation* Reduction Act

Changes in 2024

Premium Stabilization

Part D plan premiums will have a cap on annual increases. **Between 2024 and 2029, Medicare Part D premiums cannot increase more than 6% annually.**

The new legislation also includes language intended to stabilize annual increases in 2030 and beyond. The stabilization will help protect Medicare beneficiaries from overinflated premiums from private insurance carriers.

Low-Income Subsidy

In 2024 there will be an expansion of the Low-Income Subsidy (LIS) program. Before 2024, eligibility for this program begins for those at 135% of the federal poverty level. Once implemented, **eligibility will start at 150% of the federal poverty level.**

This change will provide financial relief to lower-income seniors when paying for prescription drugs.

Changes in 2025

\$2,000 Annual Limit

Many Medicare beneficiaries will breathe a sigh of relief in 2025 when out-of-pocket costs on prescription drugs are capped.

The new legislation will cap a beneficiary's out-of-pocket costs with Medicare Part D at \$2,000 annually. Beneficiaries will also have the option to pay their out-of-pocket costs more evenly throughout the year.

Drug Price Negotiation

The first phase of the Drug Price Negotiation will begin on February 1, 2025. At that time, **CMS will announce 15 Medicare Part D drugs selected for negotiation.** By November 2025, they will report the "fair prices" of these negotiated drugs. The maximum fair prices for the selected drugs will go into effect in 2027.

Changes in 2026

Additions to Drug Price Negotiation

The Health and Human Services (HHS) will continue negotiating prices for additional eligible drugs beyond the first phase in 2025.

The list of eligible drugs will include 50 Part D and 50 Part B drugs with the highest total expenditures during the most recent 12-month period. The drugs on the list must meet criteria such as high-priced, single-sourced drugs, biologicals, and biosimilars.

The negotiated drug price comes in four phases:

| Phase | Drugs to negotiated | Effective |
|-------|------------------------------------|-----------|
| 1 | 10 Medicare Part D drugs | 2026 |
| 2 | 15 Part D drugs | 2027 |
| 3 | 15 Medicare Part D or Part B drugs | 2028 |
| 4 | 20 Part B and Part D drugs | 2029 |

The Secretary of Health and Human Services can negotiate 20 drugs each year.

Though these changes do not take effect until 2026, the ability of HHS to negotiate the prices of these drugs will have a longstanding impact on seniors.

Summary

Medicare Part D is unquestionably complex and full of ever-changing nuances. That said, the prescription drug savings that the Inflation Reduction Act legislation provides, will help make Part D more accessible and affordable for Medicare beneficiaries across the United States.

 Investment Management

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